

House File 2123 - Introduced

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BY MEGGERS

A BILL FOR

1 An Act concerning special service members of the Iowa public
2 employees' retirement system by establishing a deferred
3 retirement option plan.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 97B.50B Deferred retirement option
2 plan for special service members.

3 1. For purposes of this section, unless the context
4 otherwise requires:

5 a. "*Applicable percentage*" means that percentage, not
6 greater than one hundred percentage points, equal to fifty-two
7 percentage points plus two percentage points for each month for
8 the period between the eligible member's plan eligibility month
9 and the month the eligible member commences membership in the
10 plan.

11 b. "*Drop benefit*" means, for a participant, an amount
12 credited to the participant's account each applicable month
13 equal to the member's applicable percentage multiplied by the
14 member's participant retirement amount.

15 c. "*Eligible member*" means a member, as defined in section
16 97B.50A, who has attained fifty-five years of age with at least
17 twenty-two years of membership service.

18 d. "*Participant account*" means an administrative record
19 maintained by the system reflecting the participant's
20 accumulated drop benefit.

21 e. "*Participant retirement amount*" means the amount equal to
22 the monthly retirement allowance the eligible member would have
23 received under section 97B.49B or 97B.49C, as applicable, if
24 the member retired on the date the eligible member commenced
25 participation in the plan, based on earnings through the
26 previous full quarter of covered wages earned by the member.

27 f. "*Plan*" means the deferred retirement option plan
28 established by this section.

29 g. "*Plan eligibility month*" means the first full calendar
30 month in which the participant is an eligible member.

31 2. a. An eligible member may elect to participate in the
32 deferred retirement option plan as provided in this section.
33 A decision by an eligible member to participate in the plan
34 is irrevocable. Upon commencing membership in the plan, the
35 member shall remain an active member of the system and shall

1 have credited to a participant account on behalf of the member
2 from the retirement fund for each month the member participates
3 in the plan the member's drop benefit. The amounts credited
4 shall be invested by the system in risk-free assets of a
5 short-term nature and interest and earnings shall not be
6 credited to the member's participant account but shall remain
7 with the retirement fund established in section 97B.7.

8 *b.* Upon termination of an eligible member's participation
9 in the plan, the eligible member shall be deemed to be retired
10 under the system as of that date for purposes of the system
11 and shall begin receiving a retirement allowance equal to
12 the member's participant retirement amount or such optional
13 retirement benefits, based upon that amount, pursuant to
14 section 97B.51. In addition, the eligible member shall receive
15 the moneys credited to the member's participant account while
16 participating in the plan. The eligible member shall select,
17 upon written application to the system, whether to receive
18 the amount in the member's participant account in the form
19 of a lump sum distribution or as a rollover to an eligible
20 retirement plan as defined in section 97B.53B.

21 *c.* If an eligible member terminates participation in the
22 plan prior to the date selected by the member upon commencing
23 membership in the plan and the termination is not due to the
24 death or disability of the member under this chapter, then
25 the system shall assess a twenty-five percent penalty on the
26 amount credited to the member's participant account prior to
27 distributing the amount to the member. The penalty amount
28 shall be transferred to and remain with the retirement fund.

29 3. To participate in the plan, an eligible member shall
30 make written application to the system. The application shall
31 include the following:

32 *a.* The month the eligible member intends to commence
33 participation in the plan.

34 *b.* The eligible member's selection of a plan termination
35 date. The plan termination date shall be either three,

1 four, or five years after the date the eligible member
2 commences membership in the plan. However, for the two-year
3 period beginning with the first of the month following the
4 implementation date of this section, an eligible member between
5 sixty-two and sixty-four years of age may also select a plan
6 termination date that is one or two years after the date the
7 eligible member commences membership in the plan.

8 4. Upon participation in the plan by an eligible member, if
9 the eligible member is a manager or supervisor, the eligible
10 member shall return to the highest rank or position the manager
11 or supervisor held prior to becoming a manager or supervisor.

12 5. Participation in the plan by an eligible member does not
13 guarantee continued employment. Contributions required from
14 members and participating cities shall continue based on the
15 earnable compensation of an eligible member participating in
16 the plan. However, contributions made while an eligible member
17 participates in the plan shall remain with the retirement fund
18 and shall not be subject to a refund of contributions under
19 section 97B.53.

20 6. The system's actuary, while making the annual valuation
21 of the assets and liabilities of the retirement system, shall
22 determine whether establishment and operation of the plan
23 created in this section has resulted in an increased actuarial
24 cost to the system. If the actuary determines that the plan
25 has resulted in an increased actuarial cost to the system,
26 then, notwithstanding any provision of section 97B.11 to the
27 contrary, the system shall increase the members' contribution
28 rate as necessary to cover the increased cost of the plan
29 created in this section.

30 EXPLANATION

31 The inclusion of this explanation does not constitute agreement with
32 the explanation's substance by the members of the general assembly.

33 This bill concerns special service members of the Iowa
34 public employees' retirement system (IPERS) created in Code
35 chapter 97B.

1 New Code section 97B.50B establishes a deferred retirement
2 option plan (DROP) for special service members of IPERS.

3 The new Code section provides that special service members
4 of IPERS who are at least 55 years of age and have at least
5 22 years of service are eligible to participate in the DROP
6 plan. The DROP plan provides that an eligible member can delay
7 retirement, continue working for a set number of additional
8 years, and have a portion of the retirement allowance they
9 otherwise would have received if they had retired instead of
10 participating in the DROP plan deposited in an account that is
11 then distributed to them when they eventually retire. However,
12 the member's retirement allowance is set at the time the member
13 enters the DROP plan.

14 Prior to participating in the DROP plan, a member shall
15 submit an application to the system indicating when they intend
16 to start participation in the DROP plan and when they intend
17 to terminate their participation in the plan and retire. The
18 bill permits an eligible member to elect to participate in the
19 DROP plan for three, four, or five years. However, for the
20 two-year period beginning on the implementation date of this
21 Code section, an eligible member between the ages of 62 and 64
22 can elect to participate in the DROP plan and terminate their
23 participation in one or two years.

24 If an eligible person who participates in the DROP plan
25 is a manager or supervisor, the bill requires the manager
26 or supervisor to return to the highest rank or position the
27 manager or supervisor held prior to becoming a manager or
28 supervisor.

29 Upon electing to participate in the DROP plan, the eligible
30 member continues to work but has a portion of the retirement
31 allowance they would have received if they had decided to
32 retire credited to an account. The amount credited is equal
33 to a percentage of the retirement allowance they would have
34 received. The percentage rate is determined by starting with
35 52 percent and adding 2 percent per month, up to a maximum of

1 100 percent, based upon the number of months between the month
2 the member first became eligible to participate in the DROP
3 plan and the month the member actually participates. The bill
4 provides that the amount deposited in the member's account does
5 not accrue interest or dividends. Upon termination from the
6 DROP plan, the eligible member begins to receive a retirement
7 allowance based upon the amount the member would have received
8 when the member commenced participation in the DROP plan plus
9 the amount in the member's account. If the member terminates
10 participation in the plan prior to the date set by the member
11 and the termination is not due to the member's death or
12 disability, IPERS shall withhold 25 percent of the amount in
13 the account as a penalty. The bill provides that participation
14 in the DROP plan does not guarantee continued employment.
15 The new Code section also provides that if the IPERS actuary
16 determines that the DROP plan has increased the actuarial cost
17 of the system, the contribution rate paid by special service
18 members shall be increased to cover this increased cost.